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Egyptian Military & Destruction of Economy – 1

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Abdel-Hafez Al-Sawi

I- Decline in Egyptian Exports

The Egyptian Economy has suffered a consistent decline in all sectors during the last five years, especially after the military coup in July, 2013, in spite of the enormous support provided to the Egyptian regime by rich Gulf countries during this period and the mega projects the successive governments claimed to carry out. The Egyptian citizen has not felt any positive changes in his daily life. On the contrary, he is increasingly suffering day after day. Most people are no longer optimistic with respect to any government promises on future economic reforms.

One of the most important economic sectors which have witnessed a clear decline is the Export Sector which is considered the first source of foreign currency to the national economy. Exports are so important in creating new job opportunities, reforming the balance of payment deficit and attracting local and foreign investments; which helps achieve steady growth rates and leads to overall economic improvement.

Decline in Egyptian Exports

According to the data of the Central Agency for Public Mobilization and Statistics (CAPMS), Egyptian exports decreased by the end of 2014 to \$ 26.7 billion compared to \$ 28.7 billion in 2013 by about 6.8 %. During the first half of 2015, exports experienced a significant decline to \$ 11225 million compared to \$ 14648 during the same period in 2014 by more than 23.4%.

One of the biggest sectors that witnessed a prominent decline is the Crude Oil and Petroleum Products Sector as exports decreased from \$ 3471 million during the first half of 2014 to \$ 2112 million during the same period in 2015, by about 39.2%. Exports

of chemicals and drugs also declined from \$ 1793 million to \$ 1005 million, by 44% during the same period.

According to CAPMS data, we notice that there was a significant decline in Egyptian exports to all economic blocs abroad. Exports to the European Union countries decreased by 33%: from \$ 4661 million during the first half of 2014 to \$ 3124 million during the same period in 2015. Exports to the Arab countries also decreased from \$ 4962 million to \$ 4249 million, by 14%. The highest decline rate was in exports to the Asian countries (excluding Arab countries), as exports decreased by 38% from \$ 2692 million to \$ 1668 million during the same period.

It is also worth mentioning that there was a remarkable rise in imports during 2014 from \$ 66.2 billion to \$ 70.8 billion by 7% compared with 2013. However, the rise in import rate exceeded 8.4 during the first six months of 2015.

The trade deficit amounted to \$ 17204 million during the first six months of 2015 whereas it reached \$ 37524 million in 2014.

Trade deficit leads to increasing the burdens on the balance of payment, which is not likely to be borne by Egypt's reserves of foreign currency. The trade deficit would affect the Egyptian pound's exchange rate and would inevitably have its negative effects on the Egyptian citizen's life due to inflation and price hikes, which increases the suffering of almost every Egyptian family.

Causes of Export Decline

There are many causes for the decline in the Egyptian exports during the past period which can be summed up in:

1- The continuing crisis of power and fuel shortage, especially natural gas which was behind suspension of some chemical fertilizers factories and delay of export shipments.

2- In one way or another, the government almost stopped offering aid and export support which was usually given to exporters for helping them bear the financial burdens and be able to promote their products abroad. While this support provided by the Egyptian government used to be between 5% to 10%, China, which possesses all the production potentials, offers a rate of 17% as export support.

3- Deterioration of commercial transport lines (by land, sea, and air) between Egypt and other countries which often leads to cargo delay and damage of foodstuff.

4- Delay in payment of exporters' dues with the Export Development Fund and the Tax Authority resulted in low cash flows, production drop and weak presence of the Egyptian product in the foreign markets.

5- Lack of Egyptian competitive exports compared with the exports of other countries due to the high production cost (of water, gas and electricity) which led to a decline in production.

6- Impairment of import and export enterprises; as the import and export companies have witnessed a relative deterioration because of the Central Bank's decision in February 2015 to restrict dollar deposits of individuals and companies to only \$ 10000 in a day with a maximum of \$ 50000 a month. Of course, this low rate of permissible dollar deposits does not cover the Egyptian importer's needs of dollars for the import process. Though this decision was only meant to reduce demand on US dollar and accordingly reduce its rate in the black market; yet it also made the import process very difficult.

7- Non-activation of agreements concluded by the government to expand export to the foreign markets.

8- One of the most important reasons behind the decline in exports is the political and security instability in Egypt during the last few years, which resulted in the reduction of economic investments, withdrawal of several international companies and

liquidation of many projects, leading to a decline in Egyptian products on foreign markets.

II- Escalating Rates of Corruption

Reports of corruption, prevailing in the Egyptian economic life, never stop. This is not restricted to the elite and government officials; but even the poor and the majority of the Egyptian people, who depend in earning their living on exerting much effort in return for little and useless wages, are also involved.

After the coup d'état and the military control over the capabilities of the economic life in Egypt, corruption rates have increased. However, corruption issues have undermined ministers of the military governments one after another, as well as higher administration officials. In addition, the corruption practices of businessmen and black economy criminals have led to the decline of Egypt's position in various transparency and anti-corruption indexes. Following is a monitoring of this:

1- Corruption Perceptions Index (CPI): Egypt came in the 105th position among 180 surveyed countries included in the report in 2007. Deterioration continued in 2008 when Egypt was ranked 115. Egypt's rank improved relatively in 2010 when the CPI indicator put Egypt in the 112th rank among 180 countries. In 2010, Egypt came down occupying the 118th position on the CPI scale. In 2014, Egypt came in the 114th position among 178 countries covered by CPI report, which reflects how corruption was widespread and constantly expanding.

2- Global Competitiveness Index (GCI), concerned with transparency and corruption: In 2010/2011, Egypt occupied the 81st position among 139 countries included in the GCI report. In 2013/2014, Egypt's rank on GCI declined to 118th which further deteriorated to the 119th position among 144 countries in 2014/2015. In 2015/2016,

Egypt's rank was 116th among 140 countries, which has a negative effect on the business and investment atmosphere.

In GCI corruption indicators, Egypt's score was 4.08 at the first indicator known as corruption influence on transactions (on how illegal payments affect business cost) and thus occupying the 64th position among 139 countries covered by the report.

Egypt has also got a score of 4.08 at the GCI second indicator related to corruption (on how unofficial payments and bribes influence public business)

With respect to the third indicator, which is related to illegal payments and bribes in the field of import and export, Egypt has got a 4.5 degree occupying the 62nd position among the countries covered by the report.

In the fourth indicator on bribes and illegal payments in taxes, Egypt has got a 4.3 degree and came in the 77th place among the countries covered by the report.

In the fifth indicator associated with "illegal payments and bribes to get distinct verdicts from the judiciary system", Egypt has got a 5.5 degree occupying the 33rd rank.

As for the sixth and last indicator, associated with the issue of corruption and transparency (and related to conclusion of public contracts and investment projects), Egypt has got a 4.6 degree in the GCI and occupied the 39th place among the countries covered by the report.

The 2015/2016 Global Competitiveness Index (GCI) report explained that the most prominent problems that face institutions in exercising their business in Egypt are: government bureaucracy, poor work ethics, crime and theft and then corruption.

3- Freedom from corruption or control of corruption: The annual report issued by the Heritage Centre "for measuring the extent of corruption expansion" through an index between (positive) +2.5 degrees, demonstrating the state's power in confronting and fighting against corruption, and (negative) -2.5 degrees, indicating the state 's inability to face and fight against corruption. This index depends on measuring the extent of

involvement of parliamentarians, government officials and tax and customs officials in corrupt practices. Egypt has been able to make progress on this index concerning fighting against corruption during the period from 2000 to 2002, but soon it reversed this progress and began to take degrees ranging from -0.29 in 2002 to -0.57 in 2012. This fact underlines the weakness of the government in confronting corruption, which led to corruption expansion by the time due to spread of government corruption and widespread bribery among low-position government employees to the extent that it became part of their everyday life.

Moreover, there has been corruption in higher administration and among senior leaderships in the form of abuse of power, mediation and plundering the wealth of the country.

Causes of Corruption in Egypt

1- Exacerbation of the Unemployment Problem: According to government estimates, unemployment rates reached 12.8% in 2014 but actually there were indications that they exceeded 15%. Unemployment rates increased among young people up to 30% within the (24-29 years) age group, which makes young people fall prey to crime, corruption and drug addiction and trafficking.

2- Poverty and Disruption of Wage Structure: A World Bank study on poverty in Egypt indicated that nearly 48.5 % those who are gainfully employed fall into various poverty segments, with about 3.2% of them located within the slice of extreme poverty and 18.8 % within the segment of “relative poverty”.

Estimates of the United Nations Development Programme (UNDP) indicated that the number of people living in Egypt at the extreme poverty line (less than a dollar a day) is about 1.7 million (about 2% of the population), and they are considered the poorest of Egypt’s poor people. People who live at the ordinary poverty line (\$ 2 a day) are

about 20 % of the population which means that one fifth of the population falls at the lowest level on the income distribution map in Egypt.

Economic policies pursued by the coup governments have devoted the increase of unemployment and poverty rates through their constant draining of the banking system resources with the aim of bridging the budget deficit, as well as engaging in public projects without feasibility studies. This resulted in the reduction of funds destined for investment and new and stable job creation for the unemployed or the new entrants to the labour market.

3- Absence of the Role of the Regulatory Bodies: All studies concerning combatting corruption in Egypt refer this to the control of the executive authority over the regulatory agencies through regulations. In addition, these bodies do not enjoy independence in the appointment of their members, or determining their salaries. These bodies also suffer from anti-corruption legislative disorder related to their mandate in facing corruption and practicing their control work.

The military coup in Egypt has been keen on the domestication of all regulatory institutions and controlling them through financial bestowal on their officials and workers and appointment of graduates of the police and armed forces as new members of these bodies.

III- Price Hikes

Prices have witnessed a massive leap creating an additional suffering on low-income citizens without any government control. This has significantly affected the poor citizen, his purchasing power and his lifestyle. The Central Agency for Public Mobilization and Statistics has also confirmed in a statement that the rise in commodity prices led to an increase of inflation rate:

- The annual inflation rate rose up to 11.5% during October, 2013 compared to October, 2012.
- The inflation rate reached its highest level in 2015 by 13.1 %.
- The Central Bank of Egypt has announced that the inflation increased during September and October, 2015 at a rate ranging from 5.5% to 6.2%.

The rise of the US dollar exchange rate against the Egyptian pound over the last two years has resulted in several crises. Prices of all commodities especially foodstuff have all increased. Moreover, important commodities as some types of drugs have also disappeared. The Pharmacists Syndicate confirmed that the rise of the US dollar rate has caused a real crisis to some pharmaceutical companies. Some of them have become threatened to halt their production and close the plants due to the companies' inability to import the raw material used in drug manufacturing. This had a negative effect on the citizen's needs of medicine. Drug shortcomings have reached about 800 types. These shortcomings have completely disappeared from market. Alternatives of some drugs have also disappeared.

Both 2014 and 2015 have witnessed a big rise in fuel prices; as the government only resorted to raising the prices of fuel to reduce the budget deficit which reached 340 billion Egyptian pounds. The price of a litre of gasoline-80 was raised from LE 0.90 to LE 1.60; a litre of gasoline-92 from LE 1.85 to LE 2.60 and gasoline-95 from LE 5.65 to LE 6.65. The price of diesel rose up from LE 1.10 to LE 1.80 per liter.

As gasoline-80 price rise rate reached 77 %, it was natural that public transport fares increase by rates starting from 25%:

- Train ticket price rises were so huge that a ticket price on some trains reached LE 50 at rate of 62%. For example, the first-grade Spanish Express train ticket from Cairo to Aswan increased from LE 81 in 2013 to LE 132 in 2015. The second-grade ticket on the same train increased from LE 47 in 2013 to LE 67 in 2015. In Lower Egypt, the first-

grade Cairo-Alexandria air-conditioned train ticket increased from LE 26 in 2013 to LE 51 in 2015. The second-grade ticket on the same train rose up from LE 16 in 2013 to LE 30 in 2015.

Price Rises of Steel and Building Materials:

The Central Agency for Public Mobilization and Statistics data has indicated that the price of a ton of steel reached LE 5316 in September, 2014, compared to LE 5018 per ton in September, 2013; an increase rate of 6%. Ahmed El-Zeiny, head of the Division of Building Materials at Cairo Chamber of Commerce confirmed that the price of steel and cement witnessed a price rise for market consumers in 2015 due to the crisis of US dollar shortage and decline of some production lines and producers' inability to provide raw materials, adding that the average rise of steel prices ranged from LE 300 to LE 500; and a ton of steel ranged from LE 5300 to LE 5500.

There is no doubt that the increase in steel and building materials prices certainly influenced the prices of residential units. The observed price rise of residential units in 2015 ranged from 10% in some places and 15% in some other ones compared with prices in 2013.

Many economists stressed that the rise in prices has not been commensurate with salaries, as salaries are not usually increased at a rate corresponding to the price rise. Under these circumstances, a wave of outrage swept the public sector employees with the implementation of the new wage system scheduled in the Civil Service Law as Minister of Finance Hany Kadry Domian decided the application of the new wage system starting from July, following the adoption of the Civil Service Law. Many economists confirmed that application of the Civil Service Law is not in favour of the simple employee who waits eagerly for his salary at the end of each month due to the rising financial burdens and price increase of commodities and key services.

Abdel-Fattah Al-Sisi personally emphasized that the Egyptians will be living a bad economic situation in the coming days due to lack of resources. Sisi also pointed out that it would be unfair to one or two coming generations so that future generations could in prosperity. He further called the Egyptians for austerity and donating for Egypt despite the repeated announcement of salary increases only for members of armed forces, the police and the judiciary. Some people say this situation provides many evidences that Egypt may face a hunger revolution soon.

IV- The New Suez Canal Shunt

Revenues of the Suez Canal, which represent an important source of national income, have fallen for the fourth consecutive month, dashing the hopes held by the Egyptians to achieve a breakthrough in the canal's revenues after inauguration of the new "shunt" in August, 2015. The Suez Canal Authority data indicated that Egypt's revenues from the ships passing through the Suez Canal decreased by \$ 40.8 million reaching approximately \$ 408.4 million in November, 2015, compared to \$ 442.8 million in November, 2014, which indicates a decline in the national income of foreign currency from the canal by about \$ 40.8 million.

After his military Coup in July, 2013, specifically on August 5th, 2014, Abdel-Fattah El-Sisi announced the actual beginning of building a new navigation stream parallel to Suez Canal, deepening the main waterway and undertaking a comprehensive development of the Suez Canal Axis. He said the project aimed at increasing the national income of hard currency and achieving a greater proportion of two-way traffic of ships along part of the waterway, reducing ships' waiting time and thus meeting the anticipated increase in the volume of trade exchange.

On September 15th , the Governor of the Central Bank of Egypt announced that the proceeds from the sale of the Suez Canal investment certificates amounted to about

LE 61 billion since the beginning of subtraction through banks. He said it was decided to close certificate subscriptions in banks. However, this happened without announcing a feasibility study for the project. All what was announced was the digging of a new water course parallel to the main canal for a distance of 72 kilometres. On August, 2015, the project's inauguration ceremony was held.

The actual value of the project, first and foremost was the launching of the phrase “the New Suez Canal” instead of the new Suez Canal shunt from the 61st kilometre to the 95th kilometre , a distance of *only 35 kilometres*. In fact, the Suez Canal has several shunts; one of them, Port Said Shunt, is 40 kilometres long. It is not logical to call this new stream which is only 35 kilometers long “the New Suez Canal”, whereas we call a longer stream only “a shunt”.

Comparing the statements and statistics of coup officials, we find out that:

- On August 16th, 2015, the military coup commander confirmed during a seminar organized by the Army that “the Suez Canal revenues are increasing day after day”. He also said “the cost of this canal was LE 20 billion. I tell you that due to the increase of the canal revenues via the increase of the number of ships passing through the canal from 45-47 ships a day to 60-63 ships a day during the last period; we have already got back the 20 billion Egyptian pounds that we paid before.
- On October 12th, 2015, the Suez Canal Authority (SCA) announced that the canal revenues fell by 4.6% in August by scoring only \$ 448.8 million compared to \$ 469.7 million in August, 2014. The SCA announcement confirmed that only 1577 ships passed through the canal during August, i.e. 50.8 ships a day. (We see that the number of ships passing through the Suez Canal did not increase to 60-63 ships as Sisi claimed during an Army seminar on October 16th)

On his part, Suez Canal Authority Chairman Lieutenant General Mohab Mamish said, in a press conference in Ismailia on September 16th, 2014, that the new Suez Canal development project “will achieve a net income up to about \$ 100 million annually.

- On page 80 of the Egyptian 2015/2016 General Budget statement, there is confirmation that the expected profits of the Suez Canal will not increase much even after the opening of the new shunt. It stated that the SCA estimates of the Suez Canal surplus reached about LE 19 692 at a growth rate of 2.8% compared to what was expected in the 2014/2015 fiscal year budget according to estimates of the international trade movement growth. Estimates of the Suez Canal Authority surplus earnings were estimated in the light of next year traffic charge associated with the movement of international trade expected to pass through the Suez Canal.

On the other hand, Sisi stressed that the new shunt would help the passage of 60-63 vessels daily instead of 45-47 before. It should be noted here that the total number of ships that crossed the canal in 2008 amounted to 21415 vessels by 59.4 ships a day, which means that the canal capacity before the digging of the new shunt had already allowed passage of at least 59.4 ships a day. Accordingly, the passage of only 45-47 vessels a day, just in the period before the new shunt, was not due to the canal’s lack of capability or due to a need for widening or deepening the canal. However, It is linked to a great extent with the volume of the international trade. Considering some official statistics, we find out that the total number of ships transiting every year has been decreasing since 2010, as it reached 17993 ships in 2010, 17798 ships in 2011, 17298 in 2012 and 16596 ships in 2013. The number of ships passing through the canal increased a little in 2014 reaching 16700 vessels. This means that the Suez Canal expansion was not a pressing need at all at that period of time. The strange thing is that Sisi ordered a reduction of the project duration from three years to only one year as if there were an urgent need for that project. Accordingly, Sisi’s instructions

required spending more billions at a time when the country was suffering from a severe deficit in its general budget.

According to the 2015/2016 fiscal year statement of the Ministry of Finance, we find out that the new shunt will provide about LE 253 million as surplus profits after five years. If we look carefully at the obligatory paid-back expenses on the part of the government after five years, we find out that the government is obligated to pay back an amount of LE 64 billion, the price of the bonds contributed by the Egyptians for the project, in addition to LE 38.4 billion as interest rate over the five-year period. This means that the government must pay back an amount of LE 102 billion in return for a profit of only LE 253 million after five years. Of course, this deficit must be covered by the country's general budget, which basically suffers from a big deficit.

It is worth mentioning here that the Suez Canal is the fastest maritime stream which links Asia with Europe and saves about 15 days of the journey time via the Cape of the Good Hope. This means that reduction of the number of hours for ships to pass through the canal from 22 hours to only 11 hours due to the new shunt, as Lieutenant General Mohab Mamish stated, is not feasible to attract new vessels as the journey duration via the alternative way already exceeded 15 days on average.

- Reactions to the project:

It is natural that the attack on this project comes from the military coup opponents. However, when the attack comes from the supporters of the coup, this certainly demonstrates that the project has no avail:

On June 30th, 2015, Naguib Sawiris, a Coptic businessman, participated with Sisi in a breakfast for the a group of businessmen who supported the Tahia Masr Fund. A few hours later, Sawiris declared that he did not think the project had got the necessary studies that may have convinced him as well as other big businessmen to participate

in investment in the project. He also expressed willingness to participate in a good project with real interest, alluding that the opposite was true (concerning the new Suez Canal shunt).

On August 9th, the Youth of Six April Movement confirmed that several ramifications and shunts were drilled over the past years in the framework of the continuous development of the Suez Canal but none of the rulers dared to call it “the New Suez Canal” as Sisi did. They noted that this shunt had nothing to do with the national project for the development of Suez Canal axis which was intended to develop the Suez Canal Zone to become the world’s largest logistics through the establishment of industrial zones, ports and airports.

V- Corruption of the Military from Mubarak to Sisi

While the pro-legitimacy Egyptians, who have rejected the military coup led by Abdel-Fattah Al-Sisi when he was Defense Minister against President Mohamed Morsi, the first elected civilian President of Egypt, were urging each other to unite in preparation for a new revolutionary wave on January 25th, 2016, the Transparency International (TI) listed Hosni Mubarak, the deposed President of Egypt, among the most corrupt figures in the world.

The IT said Mubarak has been accused of transferring millions of dollars from the Egyptian people’s money out of the country, adding that “there is no political will to prosecute him or his family before justice”. The Revolution had overthrown and jailed Mubarak on charges of corruption and killing demonstrators though he was acquitted of the latter charge (killing demonstrators).

Although the money which was looted, during the reign of Mubarak, and diverted abroad, is estimated at billions of dollars, of which Egypt is in urgent need, the file of these funds was not dealt with, on the official level, with due seriousness over the past

years. This money has not been counted and no final legal action was taken against those who had converted it. Moreover, the popular and civilian efforts did not produce any tangible results. On the contrary, Mubarak's businessmen and lawyers are calling for recovery of these funds after receiving "final and conclusive" acquittals.

The Egyptian controversial and pro-military rule Mohamed Hassanein Heikal raised a storm in a teacup when he claimed in May, 2011 that he had got documented information about Mubarak's wealth, ranging between 9 and 11 billion dollars. Heikal said, in an interview with Al-Ahram, a Cairene Newspaper, that concerning Mubarak's wealth abroad, he would only be convinced of documented information from respectable periodical sources. He added that he had read himself a report, available to the World Bank, including information on Mubarak's money abroad that it was estimated between 9 and 11 billion dollars. In fact, this is , in itself, an alarming number. Heikal also said this information was completely consistent with reports from the CIA on these funds. Later, Heikal recoiled on his words saying that he was not a money expert so that he could determine the volume of Mubarak's funds. He claimed that he only announced the available information he had read in certified international reports confirming that Mubarak possessed from 9 to 11 billion dollars in some foreign countries. In March, 2014, a report by the US Congressional Research Service (CRS), revealed that Egypt had received aid from the United States worth \$ 71.45 billion between 1979 and 2013, i. e. over 34 years. The CRS said the US annual aid to Egypt included \$ 1.3 billion in the form of military aid since 1987 until the present time.

Egypt also obtained US aid estimated at \$ 21.3 billion over the period from 2001 and 2013, including \$ 15.57 billion as military aid and \$ 5.714 billion as economic assistances.

The US aid to Egypt represents about 57% of the total international aid and grants that Egypt gets from the European Union, Japan and other countries. Moreover, the

amount of aid Egypt gets does not exceed 2% of the total Egyptian national income. In his book “Mubarak and his Time from the Platform to the Square”, Mohamed Hassanein Heikal said that the Gulf War in the early nineties granted Egypt aid and donations valued at \$ 100 billion during Mubarak’s rule. Heikal added that the “interest groups” that surrounded the father (Mubarak) and marched with the son (Here, Heikal did not name Alaa or Gamal), turned into an immoral swarm of lobster that destroyed what was obtained by politics. He also said that the economic container which was filled after the Gulf War was discharged by looting afterwards.

On February 6th, 2013, Transparency International said that the corruption of the Egyptian Army reached a “critical” level. On February 1st, 2015, the regional results of the anti-corruption index on the defence sector in the Middle East and North Africa, issued by the Transparency International, showed that the countries of the region, including Egypt, spent more than \$ 135 billion on the defence sector in 2014, which constitutes 7.6% of the total international military spending. According to the report, this spending rate is considered the highest in the world compared to the GDP. During the monitoring of the increasing secret spending on defense, the Transparency International report said that, in Egypt : “the defense budget is estimated at around \$ 4.4 billion and is considered a state secret. The Army budget is not available in any form to the public or the legislative authority”. The report added that the Egyptian Army had been allowed since 1979 to legally retain its own commercial bank accounts. In addition, the Army budget is completely independent from the government and it (the Egyptian Army) controls a large proportion of the economy through its own business.

On April 15th, 2015 the US Carnegie Centre issued a report stating that after the overthrowing of the elected civilian President Mohamed Morsi on July 3rd, 2013, the Egyptian Armed Forces proved to be the final arbiter in the economic and political

system in Egypt. The report added that the Egyptian Army was the first supervisor on the Egyptian economy through the protection of the strategic assets of its basic investment key partners in the periods of turmoil, and through its control over the basic government procurement tenders. The report pointed to what it called the fragile agreement between President Morsi's regime and the Army, though it bowed to many of the basic demands of the Egyptian Armed Forces, after Morsi tried to marginalize the Army in major projects such as the development of the Suez Canal and the "Toshka" project for land reclamation.

The US Carnegie Centre also explained that Sisi continued to attract wide support from international investors and foreign governments, particularly Saudi Arabia and the United Arab Emirates that replaced the United States as the two key sponsors of the Egyptian regime. Under media and political pressures, Egyptian Deputy Defence Minister, at the time, Major General Mohamed Nasrallah unveiled, at a press conference held by the Supreme Council of the Armed Forces (SCAF) in the spring of 2012, that the Army's annual revenue of its economic activities was \$ 198 million and that its rate in the state budget reached 4.2%, without providing any evidences to support such numbers.

In spite of these funds cited by the US Congressional Research Service and M. H. Heikal, serious scholars agree that Egypt's economy in the era of Mubarak recorded the worst performance since 1952 due to corruption, price rises and the privatization policy. They argue that the economic performance in the last years of Mubarak's rule paved the way to the January 25th, 2011 Revolution which managed after only 18 days to put an end to his rule which had lasted for 30 years.

The privatization policy pursued by the Mubarak governments led to worse than the growth of parasitic social classes, i.e. the decline of part of the ranks of the middle class into poverty after being crushed economically as a result of the bad distribution of

income. The last years of Mubarak's reign turned things from bad to worse with respect to corruption, unemployment and poor income distribution.

The criteria of company privatization during the rule of Hosni Mubarak represented a systematic corruption, reflected in the evaluation of the assets of these companies, when they were sold at about only 3% of the price of the land on which they were established. Recently, the report on illegal financial transfers, launched by the Finance Integrity Organization, stated that the amount of money that was illegally transferred out of Egypt was estimated at \$ 39.8 billion during the period from 2004 to 2013 , including the last seven years of the ousted Mubarak's reign.

Egypt occupied the 36th position among 149 countries, where the index monitored the illegal outflows during the period from 2004 to 2013. The report revealed that the funds that illegally came out of Egypt reached their highest score in 2008 with about \$ 6.1 billion, whereas they reached \$ 3.6 billion in 2013.

This comes while Egypt is suffering from a shortage of foreign currency reserves which fell strongly to \$ 16.4 billion at the end of November, 2015, compared to about \$ 36 billion in 2010, the last year of Mubarak's rule. The Finance Integrity Organization, located in Washington, said that over 10 years, the volume of money flows that illegally came out of the developing countries, amounted to \$ 7.8 trillion. On June 4th, 2014, Switzerland announced that it was working with the Egyptian authorities to restore about 700 million Swiss francs (\$ 781.51 million) that were hidden by Mubarak's aides. The Swiss authorities also froze funds linked to Mubarak and former Tunisian President Zin El-Abidin Ben Ali in a matter of hours from being overthrown from power in 2011. (N.B.: **Part 2** of this documentary file will start with: The aggravation of Energy Crisis in Egypt)